



# San Diego City Attorney **MICHAEL J. AGUIRRE**

## **NEWS RELEASE**

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### **CITY ATTORNEY INVESTIGATIVE REPORT DOCUMENTS ABUSES BY MUNICIPAL UNION LEADERS AND URGES FEDERAL OVERSIGHT SIMILAR TO PRIVATE PENSION PLANS**

**San Diego, CA** –The San Diego City Attorney's Office released today an interim investigative report that documents several abuses committed by municipal union leaders which has left the City's employee pension system under funded by more than a billion dollars, including mismanagement of union membership funds.

Interim Investigative Report No. 28, *Proposal to Apply Federal Labor Reform Law to Municipal Unions*, concludes that the City of San Diego and its public employee labor unions require the same level of oversight as that provided by the federal Labor Management Reporting & Disclosure Act (LMRDA) to private sector labor-management relations.

Passed by Congress in 1959, the LMRDA was the result of a national investigation into abusive labor-management practices conducted by U.S. Senate Labor Committee chairman Senator John F. Kennedy and his brother Robert F. Kennedy.

"City employees face uncertainty as to whether there will be enough money to fund their pensions," said City Attorney Michael Aguirre. "And our citizens face the prospect of severely declining municipal services and operations because of the huge pension obligations."

The report found that "members of San Diego's municipal unions have not been well-informed about the financial crisis they face. Their retirement security is vested in a pension plan that has been found by the U.S. Securities and Exchange Commission to be the victim of a massive fraud. Their union leaders sold-out their members by entering into agreements that swapped increased benefits for reduced contributions, that fall below what is required to pay their promised pensions."

Among the findings:

- A municipal labor union attorney offered to swap support of underfunding the city's pension plan in exchange for increasing benefits. This was a violation of fiduciary responsibility and a recipe for undermining the pension program's fiscal health.

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- Municipal union funds were loaned to a union officer in an amount exceeding what is permissible for private sector unions.
- Union funds were loaned to a business owned by a relative of a municipal union president.
- Funds intended for union use were improperly diverted to an attorney representing a union president in a criminal matter.
- Illegal pension benefits were extended exclusively to municipal union presidents.
- Landmark federal legislation passed a half century ago imposed strict protections against labor union abuses but does not presently apply to public sector unions.
- Federal protection must be extended to protect municipal labor union members.

To view Interim Report No. 28, *Proposal to Apply Federal Labor Reform Law to Municipal Unions*, visit [www.sandiegocityattorney.org](http://www.sandiegocityattorney.org), click "City Attorney Interim Investigative Reports."

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